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February 11, 1959

Dear Mr. Hoover: The Honorable
Leonard Saccio, Acting Director,
International Cooperation Administration

Subject: Fiscal Year 1959 Special Assistance Program for Libya

773.5-MSP/1-2559

I refer to Mr. Smith's Memorandum of January 26 concerning the determination during Fiscal Year 1959 of the cash grant program [illegible] by ICA in Libya during the past several fiscal years.

This will confirm that the political situation in Libya requires the application of such special procedure in implementing the special assistance program in that country during Fiscal Year 1959. As you know, we are entering a period of increasing difficulty in our relations with Libya and current negotiations for defense assistance to Libya clearly show the need for a high degree of flexibility on our part to ensure that the resources available are used to maximum advantage in furthering essential United States interests in Libya.

RM/R
Incl 2
By SWM
Date

Douglas Dillon
Acting Secretary

Clearances: (see attached blue)

AF - Mr. Rolain
NEA - Mr. Satterthwaite
NEA - Mr. Deale
W/MC - Mr. Bell

Drafted: NEA/ARN:Schroeder:mwb
February 6, 1959

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DEPARTMENT OF STATE
ASSISTANT SECRETARY

February 10, 1959

TO: W - Mr. Dillon

FROM: AF - J. C. Satterthwaite

SUBJECT: Continuation of Special Procedures for ICA Program in Libya

Discussion

In his memorandum of January 26 to you (Tab B), the Director of the International Cooperation Administration, Mr. Smith, referred to the special procedures involving United States dollar cash grants to the Libyan-American Reconstruction Commission, followed in the implementation of ICA programs in Libya during the past several fiscal years. Mr. Smith stated that unless advised to the contrary, he would again authorize recourse to the cash grant device in Fiscal Year 1959.

I believe it appropriate that confirmation be given to ICA of our view that political conditions in Libya require us to retain the greatest possible flexibility in our economic assistance procedures, including resort to the cash grant technique, as a means of furthering our essential interests in Libya.

Recommendation

That you sign the attached memorandum (Tab A).

Concurrences

AF - Mr. Dolgin W/MSC - Mr. Bell E - Mr. Beale

Attachments:

1. Tab A - Memorandum to Mr. Saccio, Acting Director, ICA
2. Tab B - Memorandum from Mr. Smith, Director, ICA, to Mr. Dillon, January 26, 1959

RM/R

AF:AFN:LGDorros:cgw 2/4/59

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CONFIDENTIAL Attachment

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DEPARTMENT OF STATE

UNDER SECRETARY FOR ECONOMIC AFFAIRS

January 28, 1959

W/MSC

We are keeping the copy of this memorandum for Mr. Dillon.

It would seem more business-like for us to confirm to ICA whether or not present procedures applied to the Libyan program need to be continued for political reasons.

W - CSWhitehouse

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INTERNATIONAL COOPERATION ADMINISTRATION

OFFICE OF THE DIRECTOR

Washington 25, D. C.

JAN 26 1959

MEMORANDUM FOR The Honorable C. Douglas Dillon
Under Secretary for Economic Affairs
Department of State

Subject: Fiscal Year 1959 Special Assistance Program for Libya.

On the basis of determinations by appropriate officials of the Department to the effect that overriding political conditions so dictated, ICA has for several years administered its program in Libya under special procedures which required U. S. dollar cash grants to the Libyan American Reconstruction Commission. At the same time, however, considerable progress has been made by the USOM in regularizing the implementation procedures.

In spite of this progress it may still be necessary in order to meet the local currency requirements of certain continuing projects again to resort to the U. S. dollar cash grant device during Fiscal Year 1959. Unless you advise me to the contrary, I am authorizing such grants on the assumption that the political considerations which originally motivated resort to such a technique still obtain.

J. H. Smith, Jr.

RM/R
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